

News

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of Labor



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USDL-04-2147

TRANSMISSION OF

MATERIAL IN THIS

RELEASE IS EMBARGOED

UNTIL 8:30 A.M. (EDT)

Tuesday, October 19, 2004

CONSUMER PRICE INDEX: SEPTEMBER 2004

The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.2 percent in September, before seasonal adjustment, the Bureau of Labor Statistics of the U.S. Department of Labor reported today. The September level of 189.9 (1982-84=100) was 2.5 percent higher than in September 2003.

The Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) also increased 0.2 percent in September, prior to seasonal adjustment. The September level of 185.4 was 2.4 percent higher than in September 2003.

The Chained Consumer Price Index for All Urban Consumers (C-CPI-U) increased 0.3 percent in September on a not seasonally adjusted basis. The September level of 110.6 (December 1999=100) was 2.1 percent higher than in September 2003. Please note that the indexes for the post-2002 period are subject to revision.

CPI for All Urban Consumers (CPI-U)

On a seasonally adjusted basis, the CPI-U increased 0.2 percent in September, following a 0.1 percent increase in August. Energy costs declined for the third consecutive month--down 0.4 percent in September--after advancing sharply in the first half of the year. Within energy, the index for household fuels decreased 0.9 percent, while the index for motor fuel rose 0.1 percent. The index for food was unchanged in September, as a 0.2 percent decline in the index for food at home was offset by a 0.3 percent increase in the index for food away from home. The index for all items less food and energy advanced 0.3 percent in September, following increases of 0.1 percent in each of the preceding three months. While each of the non-food major groups, including the non-energy portions of housing and transportation, contributed to the larger advance in September, the sharp upturn in the lodging away from home component accounted for about three-fourths of the acceleration in the index for all items excluding food and energy.

Table A. Percent changes in CPI for All Urban Consumers (CPI-U)

Expenditure Category	Seasonally adjusted							Un- adjusted 12-mos. ended Sep. '04	
	Changes from preceding month								Compound annual rate 3-mos. ended Sep. '04
	2004								
Mar.	Apr.	May	June	July	Aug.	Sep.			
All Items	.5	.2	.6	.3	-.1	.1	.2	.6	2.5
Food and beverages	.2	.2	.9	.2	.2	.1	.0	1.3	3.3
Housing	.3	.4	.4	.3	.2	.2	.2	2.3	2.8
Apparel	.9	.0	.3	.2	-.8	-.2	.0	-4.2	-.7
Transportation	1.1	.1	1.7	.8	-.8	-.3	.2	-3.8	2.2
Medical care	.6	.4	.3	.3	.3	.2	.3	3.5	4.4
Recreation	.3	.2	-.2	.3	-.2	-.2	.2	-.7	.8
Education and communication	.1	.3	.0	.2	-.1	.1	.4	1.8	1.8
Other goods and services	.2	.1	.1	.1	.3	.2	.3	3.2	2.1
Special Indexes									
Energy	1.9	.1	4.6	2.6	-1.9	-.3	-.4	-9.8	6.7
Food	.2	.2	.9	.2	.3	.1	.0	1.3	3.3
All Items less food and energy	.4	.3	.2	.1	.1	.1	.3	1.8	2.0

Consumer prices increased at a seasonally adjusted annual rate (SAAR) of 0.6 percent in the third quarter of 2004, following increases in the first and second quarters at annual rates of 5.1 and 4.8 percent, respectively. This brings the year-to-date annual rate to 3.5 percent and compares with an increase of 1.9 percent in all of 2003. The index for energy, which advanced at annual rates of 38.6 and 33.5 percent in the first two quarters, declined at a 9.8 percent rate in the third quarter of 2004. Thus far this year, energy costs have risen at an 18.6 percent SAAR after increasing 6.9 percent in all of 2003. In the first nine months of 2003, petroleum-based energy costs increased at a 31.7 percent rate and charges for energy services increased at a 6.2 percent rate. The food index rose at a 2.6 percent SAAR in the first nine months of 2004. The index for grocery store food prices increased at a 1.9 percent rate. Among the six major grocery store food groups, the index for dairy products registered the largest increase during this span--up at a 7.3 percent rate--although it declined in each month during the third quarter. The index for fruits and vegetables recorded the largest decline--down at a 0.8 percent annual rate.

The CPI-U excluding food and energy advanced at a 1.8 percent SAAR in the third quarter, following increases at rates of 2.9 and 2.3 percent in the first two quarters of 2004. The advance at a 2.3 percent SAAR for the first nine months of 2004 compares with a 1.1 percent rise in all of 2003. With the exception of the recreation component, each of the major groups--including alcoholic beverages and the non-energy portion of the housing and transportation groups--advanced at a faster rate in the first 9 months of 2004 than in all of 2003. Most of the overall acceleration, however, was accounted for by a larger increase in the indexes for shelter, an upturn in the index for new and used vehicles, and a smaller decline in the index for apparel. The annual rates for selected groups for the last seven and three-quarter years are shown below.

	Percentage change 12 months ended in December						SAAR 9 mos. ended in Sep.	
	1997	1998	1999	2000	2001	2002	2003	2004
All items	1.7	1.6	2.7	3.4	1.6	2.4	1.9	3.5
Food and beverages	1.6	2.3	2.0	2.8	2.8	1.5	3.5	2.5
Housing	2.4	2.3	2.2	4.3	2.9	2.4	2.2	3.3
Apparel	1.0	-.7	-.5	-1.8	-3.2	-1.8	-2.1	-.1
Transportation	-1.4	-1.7	5.4	4.1	-3.8	3.8	.3	7.0
Medical care	2.8	3.4	3.7	4.2	4.7	5.0	3.7	4.4
Recreation	1.5	1.2	.8	1.7	1.5	1.1	1.1	.9
Education and communication	3.0	.7	1.6	1.3	3.2	2.2	1.6	1.8
Other goods and services	5.2	8.8	5.1	4.2	4.5	3.3	1.5	2.4
Special indexes								
Energy	-3.4	-8.8	13.4	14.2	-13.0	10.7	6.9	18.6
Energy commodities	-6.9	-15.1	29.5	15.7	-24.5	23.7	6.9	31.7
Energy services	.2	-3.3	1.2	12.7	-1.5	.4	6.9	6.2
All items less energy	2.1	2.4	2.0	2.6	2.8	1.8	1.5	2.4
Food	1.5	2.3	1.9	2.8	2.8	1.5	3.6	2.6
All items less food and energy	2.2	2.4	1.9	2.6	2.7	1.9	1.1	2.3

The food and beverages index was unchanged in September. The index for food at home decreased 0.2 percent, the same as in August. The index for dairy products declined for the third consecutive month, down 2.0 percent in September. Milk prices also declined for the third consecutive month--down 3.4 percent in September--but were 8.7 percent higher than in September 2003. Also contributing to the decrease in the food at home index were declines in the indexes for other food at home and for meats, poultry, fish, and eggs--down 0.5 and 0.3 percent, respectively. Within the latter index, declines in prices for eggs, for beef, and for poultry more than offset price increases for pork and for fish and seafood. The index for fruits and vegetables increased 0.7 percent. The indexes for fresh fruits and for fresh vegetables rose 0.6 and 1.5 percent, respectively, while the index for processed fruits and vegetables fell 0.5 percent. The two other major grocery store food groups-- nonalcoholic beverages and cereals and bakery products--rose 0.3 and 0.1 percent, respectively. The other two components of the food and beverage index--food away from home and alcoholic beverages--increased 0.3 and 0.5 percent, respectively.

The index for housing rose 0.2 percent in September, the same as in each of the preceding two months. Shelter costs, which increased 0.1 percent in August, advanced 0.4 percent in September. The index for lodging away from home increased 2.9 percent in September, following a 1.7 percent decrease in August. The indexes for rent and owners' equivalent rent each increased 0.1 percent after advancing 0.3 percent in August. The index for fuels and utilities fell 0.5 percent in September. The index for fuel oil rose 2.1 percent in September and was 29.0 percent higher than a year earlier. The index for electricity was unchanged, while the index for natural gas decreased 3.1 percent. During the last 12 months, these indexes have advanced 1.6 and 6.2 percent, respectively. The index for household furnishings and operations was unchanged in September, following declines in the preceding two months.

The transportation index rose 0.2 percent in September, following declines in each of the preceding two months. The index for gasoline, which declined in July and August, increased 0.1 percent in September. (Prior to seasonal adjustment, gasoline prices fell 0.4 percent in September.) The index for used cars and trucks advanced for the third consecutive month--up 2.0 percent in September. Despite the recent advances, used car and truck prices are 1.8 percent lower than a year ago. Partially offsetting these increases, the index for new vehicles declined 0.2 percent in September. (About 17 percent of the new car sample in September was represented by 2005 models.) New vehicle prices are 1.1 percent lower than in September 2003. The index for public transportation decreased 1.1 percent, reflecting a 1.6 percent decline in airline fares.

The index for apparel, which declined in each of the preceding two months, was unchanged in September. (Prior to seasonal adjustment, apparel prices rose 4.0 percent, reflecting the introduction of fall-winter wear. The proportion of fall-winter clothing introduced in this September was about the same as in recent years.)

Medical care costs rose 0.3 percent in September to a level 4.4 percent higher than a year ago. The index for medical care commodities--prescription drugs, nonprescription drugs, and medical supplies--increased 0.4 percent. The index for medical care services rose 0.3 percent in September. Charges for professional services and for hospital and related services increased 0.1 and 0.6 percent, respectively.

The index for recreation turned up in September, advancing 0.2 percent after registering declines of the same magnitude in July and August. Increases in the indexes for cable and satellite television and radio services and for admissions to movies, theaters, concerts, and sporting events--up 0.6 and 0.8 percent, respectively--were largely responsible for the September increase.

The index for education and communication increased 0.4 percent in September. Educational costs rose 0.6 percent, reflecting increases in the indexes for college tuition and for elementary and high school tuition--up 0.8 and 0.9 percent, respectively. (Prior to seasonal adjustment, charges for college tuition and fees rose 2.9 percent in September and were 8.9 percent higher than a year ago.) The index for communication costs increased 0.3 percent. The index for telephone services rose 0.3 percent, reflecting a 1.9 percent increase in long distance charges. The index for personal computers and peripheral equipment declined 0.7 percent.

The index for other goods and services rose 0.3 percent in September. The index for tobacco and smoking products increased 0.3 percent. The index for personal care increased 0.2 percent. Within personal care, the index for miscellaneous personal services--legal services, funeral expenses, laundry and dry cleaning and other apparel services, and financial services--rose 0.3 percent in September.

CPI for Urban Wage Earners and Clerical Workers (CPI-W)

On a seasonally adjusted basis, the CPI for Urban Wage Earners and Clerical Workers increased 0.2 percent in September.

Table B. Percent changes in CPI for Urban Wage Earners and Clerical Workers (CPI-W)

Expenditure Category	Seasonally adjusted								Un- adjusted 12-mos. ended Sep. '04
	Changes from preceding month							Compound annual rate 3-mos. ended Sep. '04	
	2004								
	Mar.	Apr.	May	June	July	Aug.	Sep.		
All Items	.5	.2	.7	.3	-.1	.1	.2	.7	2.4
Food and beverages	.2	.2	.9	.2	.3	.1	.0	1.3	3.4
Housing	.2	.3	.3	.4	.3	.2	.1	2.4	2.7
Apparel	.8	-.1	.2	.0	-.7	-.4	.3	-3.3	-.3
Transportation	1.3	-.1	2.1	.7	-.9	-.2	.4	-2.9	2.2
Medical care	.6	.4	.3	.3	.3	.2	.4	3.8	4.5
Recreation	.3	.0	.0	.2	-.3	-.2	.2	-1.1	.7
Education and communication	.1	.2	-.2	.2	-.1	.0	.4	1.1	1.0
Other goods and services	.2	.2	.1	.1	.4	.2	.3	3.6	2.1
Special Indexes									
Energy	2.2	-.1	5.0	2.7	-2.0	-.5	-.3	-10.5	6.9
Food	.2	.1	1.0	.1	.3	.1	-.1	1.3	3.3
All Items less food and energy	.3	.2	.1	.2	.1	.1	.3	1.9	1.8

Consumer Price Index data for October are scheduled for release on Wednesday, November 17, 2004, at 8:30 A.M. (EST).

Facilities for Sensory Impaired

Information from this release will be made available to sensory impaired individuals upon request. Voice phone: 202-691-5200, Federal Relay Services: 1-800-877-8339. For a recorded message of Summary CPI data, call (202) 691-5200.

Brief Explanation of the CPI

The Consumer Price Index (CPI) is a measure of the average change in prices over time of goods and services purchased by households. The Bureau of Labor Statistics publishes CPIs for two population groups: (1) the CPI for Urban Wage Earners and Clerical Workers (CPI-W), which covers households of wage earners and clerical workers that comprise approximately 32 percent of the total population and (2) the CPI for All Urban Consumers (CPI-U) and the Chained CPI for All Urban Consumers (C-CPI-U), which cover approximately 87 percent of the total population and include in addition to wage earners and clerical worker households, groups such as professional, managerial, and technical workers, the self-employed, short-term workers, the unemployed, and retirees and others not in the labor force.

The CPIs are based on prices of food, clothing, shelter, and fuels, transportation fares, charges for doctors' and dentists' services, drugs, and other goods and services that people buy for day-to-day living. Prices are collected in 87 urban areas across the country from about 50,000 housing units and approximately 23,000 retail establishments—department stores, supermarkets, hospitals, filling stations, and other types of stores and service establishments. All taxes directly associated with the purchase and use of items are included in the index. Prices of fuels and a few other items are obtained every month in all 87 locations. Prices of most other commodities and services are collected every month in the three largest geographic areas and every other month in other areas. Prices of most goods and services are obtained by personal visits or telephone calls of the Bureau's trained representatives.

In calculating the index, price changes for the various items in each location are averaged together with weights, which represent their importance in the spending of the appropriate population group. Local data are then combined to obtain a U.S. city average. For the CPI-U and CPI-W separate indexes are also published by size of city, by region of the country, for cross-classifications of regions and population-size classes, and for 27 local areas. Area indexes do not measure differences in the level of prices among cities; they only measure the average change in prices for each area since the base period. For the C-CPI-U data are issued only at the national level. It is important to note that the CPI-U and CPI-W are considered final when released, but the C-CPI-U is issued in preliminary form and subject to two annual revisions.

The index measures price change from a designed reference date. For the CPI-U and the CPI-W the reference base is 1982-84 equals 100.0. The reference base for the C-CPI-U is December 1999 equals 100. An increase of 16.5 percent from the reference base, for example, is shown as 116.5. This change can also be expressed in dollars as follows: the price of a base period market basket of goods and services in the CPI has risen from \$10 in 1982-84 to \$11.65.

For further details visit the CPI home page on the Internet at <http://www.bls.gov/cpi/> or contact our CPI Information and Analysis Section on (202) 691-7000.

Calculating Index Changes

Movements of the indexes from one month to another are usually expressed as percent changes rather than changes in index points, because index point changes are affected by the level of the index in relation to its base period while percent changes are not. The example below illustrates the computation of index point and percent changes.

Percent changes for 3-month and 6-month periods are expressed as annual rates and are computed according to the standard formula for compound growth rates. These data indicate what the percent change would be if the current rate were maintained for a 12-month period.

Index Point Change

CPI	115.7
Less previous index	111.2
Equals index point change	4.5

Percent Change

Index point difference	4.5
Divided by the previous index	111.2
Equals	0.040
Results multiplied by one hundred	0.040×100
Equals percent change	4.0

Regions Defined

The states in the four regions shown in Tables 3 and 6 are listed below.

The Northeast--Connecticut, Maine, Massachusetts, New Hampshire, New York, New Jersey, Pennsylvania, Rhode Island, and Vermont.

The Midwest--Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin.

The South--Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, West Virginia, and the District of Columbia.

The West--Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming.

A Note on Seasonally Adjusted and Unadjusted Data

Because price data are used for different purposes by different groups, the Bureau of Labor Statistics publishes seasonally adjusted as well as unadjusted changes each month.

For analyzing general price trends in the economy, seasonally adjusted changes are usually preferred since they eliminate the effect of changes that normally occur at the same time and in about the same magnitude every year--such as price movements resulting from changing climatic conditions, production cycles, model changeovers, holidays, and sales.

The unadjusted data are of primary interest to consumers concerned about the prices they actually pay. Unadjusted data also are used extensively for escalation purposes. Many collective bargaining contract agreements and pension plans, for example, tie compensation changes to the Consumer Price Index unadjusted for seasonal variation.

Seasonal factors used in computing the seasonally adjusted indexes are derived by the X-12-ARIMA Seasonal Adjustment Method. The updated seasonal data at the end of 1977 replaced data from 1967 through 1977. Subsequent annual updates have replaced 5 years of seasonal data, e.g., data from 1999 through 2003 were replaced at the end of 2003. In January 2002, dependently seasonally adjusted series were revised for January 1987-December 2001 as a result of a change in the aggregation weights for dependently adjusted series. For further information, please see "Aggregation of Dependently Adjusted Seasonally Adjusted Series," in the October 2001 issue of the CPI Detailed Report.

The seasonal movement of All items and 54 other aggregations is derived by combining the seasonal movement of 73 selected components. Each year the seasonal status of every series is reevaluated based upon certain statistical criteria. If any of the 73 components change their seasonal adjustment status from seasonally adjusted to not seasonally adjusted, not seasonally adjusted data will be used for the last 5 years, but the seasonally adjusted indexes will be used before that period. Note: 47 of the 73 components are seasonally adjusted for 2004.

Seasonally adjusted data, including the All items index levels, are subject to revision for up to five years after their original release. For this reason, BLS advises against the use of these data in escalation agreements.

Effective with the calculation of the seasonal factors for 1990, the Bureau of Labor Statistics has used an enhanced seasonal adjustment procedure called Intervention Analysis Seasonal Adjustment for some CPI series. Intervention Analysis Seasonal Adjustment allows for better estimates of seasonally adjusted data. Extreme values and/or sharp movements which might distort the seasonal pattern are estimated and removed from the data prior to calculation of seasonal factors. Beginning with the calculation of seasonal factors for 1996, X-12-ARIMA software was used for Intervention Analysis Seasonal Adjustment.

For the fuel oil, natural gas, motor fuels, and educational books and supplies indexes, this procedure was used to offset the effects that extreme price volatility would otherwise have had on the estimates of seasonally adjusted data for those series. For the Nonalcoholic beverages index, the procedure was used to offset the effects of labor and supply problems for coffee. The procedure was used to account for unusual butter fat supply reductions, decreases in milk supply, and large swings in soybean oil inventories affecting the Fats and oils series. For the Water and sewerage maintenance index, the procedure was used to account for a data collection anomaly and dry weather in California. For Dairy products, it mitigated the effects of significant changes in milk production levels and higher demand for cheese.

For Electricity, it was used to offset an increase in demand due to warmer than expected weather, increased rates to conserve supplies, and declining natural gas inventories. For New vehicles, New cars, and New trucks, the procedure was used to offset the effects of a model changeover combined with financing incentives.

For additional information on seasonal adjustment in the CPI, please write to the Bureau of Labor Statistics, Division of Consumer Prices and Price Indexes, Washington, DC 20212 or contact Daniel Chow on (202) 691-6968 by e-mail at Chow.Daniel@bls.gov. If you have general questions about the CPI, please call our information staff at (202) 691-7000.